59 Pet 14 Libya E

Department of State **TELEGRAM**

VR Pet 30 OPEC

CONFIDENTIAL 800

PAGE 01 TRIPOL 00008 021753Z

1 EXCISE

47
ACTION AF-05

INFO OCT-01 SS-20 ARA-11 EUR-12 NEA-08 E-04 H-01 INR-07

L-02 PRS-01 P-01 OEP-01 NSC-10 NSCE-00 CIAE-00 NSAE-00

PM-03 RSR-01 RSC-01 /089 W

045043

P 021450Z JAN 71
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 7255
INFO USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY VIENNA
AMEMBASSY BONN
USMISSION EC BRUSSELS

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CG DATE 6/10/86
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 008

LIMDIS

SUBJECT: POST OPEC OIL NEGOTIATIONS: LIBYA STRIKES AGAIN

REF: TRIPOLI 0023

1. DEPUTY PRIME MINISTER JALLUD CALLED ALL OIL COMPANIES TO MEETING MORNING OF JANUARY 2. ACCORDING TO PRELIMINARY REPORT [redacted] 13 4 JALLUD MADE FIVE DEMANDS, "PURSUANT TO OPEC RESOLUTIONS".

(A) TAX RATE MUST BE NOT LESS THAN 55 PERCENT. JALLUD WARNED COMPANIES NOT TO CONFUSE 55 PERCENT TAX RATE THEY HAD AGREED TO DURING RECENT POSTED PRICE NEGOTIATIONS WITH LATEST OPEC DECISION.

CONFIDENTIAL

24

0014550730

CURRENT HIGHER TAX RATES IN LIBYA WERE SIMPLY WAY COMPANIES HAD CHOSEN TO PAY OFF LARG'S RETROACTIVITY CLAIMS. (JALLUD DIDN'T SAY IT, BUT IMPLICATION CLEARLY IS THAT COMPANIES MUST ADD ANOTHER 5 PERCENT ON TO CURRENT TAX RATES.)

(B) COMPANIES MUST PAY "SUEZ ALLOWANCE". JALLUD INTRODUCED THIS DEMAND WITH STATEMENT THAT LIBYA "WANTED TO MAKE COMPANIES SUFFER" UNTIL THEY EXERT SUFFICIENT PRESSURE ON USG TO BRING ABOUT A CHANGE IN MIDDLE EAST POLICY. [redacted] SAY JALLUD WAS SERIOUS ABOUT MAKING THIS POLITICAL POINT, BUT THAT HE DID GO ON TO FURTHER JUSTIFY THIS NEW POSTED PRICE INCREASE ON GROUNDS THAT LAST RISE DID NOT TAKE FULLY INTO ACCOUNT LIBYA'S GEOGRAPHICAL ADVANTAGE. NO FIGURE NAMED. B4

(C) "CERTAIN" PERCENTAGE OF REVENUES GENERATED HERE MUST BE REINVESTED IN LIBYA. AGAIN, JALLUD GAVE NO PRECISE FIGURE, MERELY INDICATING THAT "LIBYA SHOULD TAKE PRIORITY IN COMPANIES' INVESTMENT PLANNING". WHILE JALLUD OPENED ON THIS SUBJECT WITH COMPLAINT THAT EXPLORATION HAD FALLEN OFF AND THAT SOMETHING HAD TO BE DONE ABOUT IT, HE LATER SAID THAT WHILE LARG PREFERRED INVESTMENT IN PETROLEUM FIELD, IT WOULD BE ACCEPTABLE FOR COMPANIES TO INVEST IN "AGRICULTURE, INDUSTRY AND OTHER PROJECTS IN THE DEVELOPMENT PLAN". TO THIS END, JALLUD PROMISED NEW INVESTMENT CODE "WITHIN THREE WEEKS WHICH WOULD COMPLETELY REASSURE COMPANIES."

(D) GOVERNMENT TAX PAYMENTS TO BE MADE MONTHLY. (CURRENT ARRANGEMENT HAS COMPANIES "ACCELERATING" PAYMENTS SO THAT BY 1972 ALL INCOME TAX DUE WOULD HAVE BEEN RAID WITHIN 30 DAYS AFTER END OF EACH QUARTER.)

(E) COMPANIES WILL SEE TO IT THAT ALL LIBYA'S DOMESTIC FUEL NEEDS WILL BE SUPPLIED TO AND THROUGH LNOC AT COST, RPT AT COST. NO DETAILS OFFERED ON HOW THIS WOULD WORK.

[redacted] JALLUD CERTAINLY DID NOT ACT AS THOUGH HE HAD TRANSGRESSED SOME FINE LINE OF REASONABLENESS. ON CONTRARY, HE SAID THAT "OPEC DEMANDS" HAD TO BE LOGICAL SINCE MAJORITY OF OPEC COUNTRIES WERE NOT REVOLUTIONARY'. AT THIS POINT JALLUD LAUGHED SO HARD THE COMPANIES REPS THOUGHT THEY WERE GOING TO CRY. B4

CONFIDENTIAL

3. [redacted] JALLUD TOLD THE REPRESENTATIVES ASSEMBLED THAT HE WANTED TO GIVE THE COMPANIES TIME TO REFLECT UPON LIBYAN DEMANDS AND SAID THAT MINPETROLEUM MABRUK WOULD BE IN TOUCH WITHIN A FEW DAYS TO SCHEDULE A SECOND MEETING [redacted]

PALMER

CONFIDENTIAL